

Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+3.27%	+1.47%
Dow Jones Industrial	+3.36%	+0.004%
NASDAQ Composite	+3.58%	+7.79%
Russell 2000	+2.47%	-2.45%
VIX	-22.96%	-19.53%

U.S. equities had a strong week, and almost managed to recover the previous week's losses, despite modest losses on Tuesday and Thursday. The S&P 500 came back into positive year-to-date territory, after rising 3.27% through Friday, as



S&P 500, DJIA, NASDAQ Composite, Russell 2000 5-day chart.

did the Dow Jones Industrial Average, which gained 3.36% and only sits \$0.76 higher than its closing price on December 31st, 2014. Many investors feared the markets' reactions to the terror attacks that struck Paris two Fridays ago, and despite a solid gain on Monday, equities sold off sharply on Tuesday after reports a soccer game had been cancelled in Germany due to terrorist threats. Once again, the NASDAQ Composite outperformed the other benchmarks, with a weekly gain of 3.58% that set the index's year-to-date performance to +7.79%, while the Russell 2000 Index of small-cap stocks underperformed with a 2.47% weekly gain. Investors seem to be slowly accepting the reality of a December interest rate hike, as it means that the U.S economic recovery is strong enough to support it. As a result, volatility in the U.S markets decreased, as measured by the VIX, which lost 22.96% last week after rising more than 40% the prior week. Gold also fell sharply, but bounced back on Friday to reduce its weekly loss to -0.54%, while silver fell 0.55%. The rally in equities was led by energy stocks, which jumped higher with crude oil on Monday. Crude oil had one of its most volatile weeks so far, as traders seemed to have a hard time valuing a barrel. As a result, the prices of both Brent and WTI spent the week fluctuating in a range of +5% to -5%, to end the week mixed as Brent crude rose 0.43% while WTI crude lost 0.86%. The economic calendar was fairly light last week, but investors still had a couple of reports to digest. On Tuesday, the October CPI report was published, and showed that prices had their first monthly increase in 3 months, rising 0.2% over September as analysts expected. Core CPI, which excludes food and energy prices, increased 0.2% monthly, while the yearly change of 1.9% came in just under the Fed's target of 2%. On Wednesday, the minutes of the FOMC meeting were released, and showed that the Federal Reserve is now starting to think about the timeline of rate increases, as it seems to be sticking to its plan of lifting rates in December. In corporate news, the value of announced mergers and acquisitions surpassed \$4 trillion this year, as Nokia (NOK) offered to acquire French company Alcatel-Lucent for \$16.6 billion, while Marriott (MAR) offered to acquire rival Starwood Hotels & Resorts (HOT) for \$12.2 billion in a deal that would create the world's largest hotel chain.. This M&A frenzy makes 2015 the second most prolific year of all time for deals, behind the \$4.7 billion of mergers announced in 2007. Next week's economic calendar is lighter than usual, as the trading week will be shortened by Thanksgiving. Existing home sales will be released on Monday for the month of October, while the second estimate for Q3 GDP is expected on Tuesday, with analysts calling for a 2.1% increase in real output. On Wednesday, the October new home sales will be published, and analysts expect the figure to rise to 499,000 from 468,000 in September. American markets will be closed on Thursday to observe the Thanksgiving national holiday, and will close at 1:00 PM on Friday.

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International Markets

International equity markets slightly underperformed their American counterparts last week, especially European indices in the aftermath of the disaster in Paris. France's main stock index, the CAC 40, managed to gain 2.18% through Friday after gapping lower on Monday's open. In Germany, where a soccer game had to be cancelled on Tuesday due to plausible terrorist threats, the DAX proved very resilient, rising 3.84% with only one red day. The broader Bloomberg European 500 and Stoxx Europe 600 gained 3.25% and 3.32% respectively, helped by Mario Draghi's call for additional stimulus on Friday, while the MSCI AEFÉ rose 2.36%. In Asia, the Nikkei 225 rose 1.4% despite falling sharply on Monday on news that the country was entering recession. In China, equities had another strong week, as the People's Bank of China announced it was cutting the standing lending facility rate used by domestic banks to borrow from each other. The Shenzhen Composite gained 3.64% while the Shanghai Composite only rose 1.39%. Several economic reports are due next week, including German third quarter GDP and minutes of the Japanese monetary policy meeting on Tuesday, Japanese CPI on Thursday, and U.K third quarter GDP on Friday.